



ANALYSIS OF FACTORS GOVERNING THE MARKET PRICE OF THE SHARES FROM NATIONAL STOCK EXCHANGE OF TEN SELECTED COMPANIES IN BANKING SECTOR

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ABSTRACT

Banking systems and financial institutions are integral parts of an economy. Seamless functioning of these sectors is important for an economy to grow. Due to the advent of digital technology, banking and financial services have undergone a massive shift in their mode of operations. New trends are gaining momentum at a fast pace as the customers find it convenient and flexible at the same time. The emergence of financial technology has resulted in the introduction of several technological advancements in the industry. Fintech companies, internet banking and mobile banking are just some examples that mark this shift. The modernization of banking attracted the investors towards banking industry. This paper focuses on the factors governing the market price of the shares in Banking Sector of Companies such as Axis Bank, CUB, Federal Bank, HDFC, ICICI, IndusInd, Karnataka Bank, Kotak, KVB, South Indian Bank. This study has examined the relationship between dependent variables Market Price Per Share (MPS) and independent variables (Dividend Per Share (DPS), Earning per Share (EPS), Net Profit Margin (NPM), Return on Equity (ROE) and Return on Assets (ROA). The study was conducted based on secondary data and the researchers concluded that, there is a significant influence of foresaid factors on the market price of the shares.

Key words: Market Price per Share, Dividend per Share, Earning per Share, Net Profit Margin, Return on Equity and Return on Assets

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1. INTRODUCTION

The financial sector is a part of economy made up of institutions and banks that provides financial services. This sector includes the banks, financial institutions, small scale financing, investment companies, and real estates. Banking comes under tertiary sector which provides intangible service to the people who need the financial assistance. The banking sector utilizes various channels to distribute funds from the people who have in surplus to the people who are in need of funds. Banking sector provides various services to its customers to make the work easier. It offers UPI, Mobile banking, Block chain and Artificial intelligence are the one which made both the customer and the banker work still user friendly. Increased in working population in recent days has increased the demand for banking services and banks are forced to modernize their operations to sustain the industry (Gopinath, 2020 a). Even the level of satisfaction of employees (Gopinath & Chitra, 2020 b) the level of commitment and involvement (Gopinath, 2020 b) and even the level of occupational stress, has impact on organisational performance, in turn the market price of the shares also (Gopinath, 2019 a).

The Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1485 urban cooperative banks, and 96000 rural cooperative banks in addition to the credit institutions. As per the Reserve Bank of India, the Indian banking sector is well-regulated and capitalised sufficiently.

2. REVIEW OF LITERATURE

Boobalan (2014) carried out Technical Analysis of the securities of the selected companies from Industry and to help investment decisions in the Indian Market. Through this study, technical analysis does not result in absolute expectations about the future with regard to forecasting.

Sudheer (2015) studied technical analysis tool s& techniques on selective scripts to help detailed investment decision in Indian equity/stock market. This analytical study is purely based on secondary data which had been collected from National Stock Exchange (NSE) website, journals, and magazines. In the analysis, Moving Average Convergence Divergence (MACD) technique is used to identify the scripts are technically strong or not. It enables investors to acknowledge the current trend and risks associated with the scrip at par with the market. This paper seeks at carrying out Technical analysis of the securities of selected companies and to support investment decisions in the Indian stock market

Mahendar Pavirala (2015) in their study explains Indian Stock Markets are contributing a massive extent in development of the economy. The IT industry holds major share among other sectors in Indian stock trading scenario. In his study, it examines the correlation between return and unsystematic risk of the IT stocks listed in National Stock Exchange of India Ltd (NSE). To analyze the function of these stocks, quarterly return and quarterly unsystematic risk has been calculated for a period of two years from April 2012 to March 2014. From the study it is found that there is no significant relationship exists among the stock (Gopinath 2019 b & c).

Gopinath (2011) in her research found that technical analysis is a review of the stock market relating to factors affecting the supply and demand of stocks and helps in identifying the intrinsic value of shares and to know whether the shares are devalued or overvalued. The stock market indicators would help the investor to detect major market turning points.

Balkrishnan (1984) conducted a study on book value per share and market price per share of the stock. They claimed that higher book value per share indicates financial accuracy and fosters a healthy statement about the owner's fund. They stated that investor believe that a firm with higher financial base will generate better EPS in future. Thus, most of them took a long position anticipating stable performances from the firm. The studies of Selvam *et al* (2019)

have also explained that, Intellectual Capital Performance has Impact on Indian Commercial Banking Industry.

Sudheer (2012) in his research retrieved that technical analysis is study of foreseeing prices of securities for future. The major goal of technical analysis is to generate returns by letting person decide when to enter and when to exit in the security. Bottom line is to buy at tough (deep decline) and to sell at peak to get considerable amount of return or profit. Gopinath *et al.* (2019) inferred that attitude of Individual Investors towards Commodity Trading in Disruptive Technological Era.

3. RESEARCH OBJECTIVES

To analyse the Normality, Stationarity, and impact of market price per share and financial variables in Banking Sector.

4. METHODOLOGY

Statistical Tool of Analysis

To analyze the relationship between the market price per share and financial variables, the study employed

Descriptive Statistics, Unit Root Analysis and Regression Analysis.

Data Collection

The study is conducted and analyzed through secondary data.

Limitation of the Study

The study has the following limitations

- The research work is based only on secondary data
- The study is restricted only to the selected sectors from National Stock Exchange
- The study has been limited to 10 years period from (2009 to 2019)

5. ANALYSIS AND INTERPRETATION

Table 1 Analysis of Descriptive Statistics showing Normality MPS and Financial Variables of Banking Sector from 2009 – 2019

| Dependent Variable | | Independent Variable | | | | |
|--------------------|-----------|----------------------|------------|-----------|------------|-----------|
| Bank Name | MPS | DPS | EPS | NPM | ROA | ROE |
| Axis Bank | 0.4645* | 0.1958* | 0.00002** | 0.00002** | 0.000014** | 0.00002** |
| CUB | 0.691318* | 0.306956* | 0.452603* | 0.899725* | 0.80451* | 0.89205* |
| Federal Bank | 0.652352* | 0.00121** | 0.683761* | 0.974708* | 0.653211* | 0.9938* |
| HDFC | 0.925698* | 0.000138** | 0.000059** | 0.28047* | 0.678112* | 0.66259* |
| ICICI | 0.661474* | 0.560134* | 0.582671* | 0.993606* | 0.401498* | 0.53206* |
| IndusInd Bank | 0.4028* | 0.6860* | 0.02058** | 0.0408** | 0.03115** | 0.54606* |
| Karnataka Bank | 0.56977* | 0.6017* | 0.66805* | 0.7032* | 0.75185* | 0.71812* |
| Kotak | 0.47056* | 0.16589* | 0.9758* | 0.5638* | 0.8567* | 0.4497* |
| KVB | 0.85323* | 0.20482* | 0.8409* | 0.6421* | 0.5997* | 0.7486* |
| South Indian Bank | 0.733* | 0.5067* | 0.56401* | 0.5467* | 0.5074* | 0.738* |

Note: DV – Dependent Variable, DPS – Dividend per Share, EPS – Earnings per Share, MPS – Market price per share,

NPM – Net Profit Margin, ROA – Return on Assets, ROE – Return on Equity.

* 5% @ level of significance ; ** 1% @ level of significant

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Table 1 reveals the results of the normality test for Market Price per Share and Financial Variables of ten companies in Banking sector, for the period 2009 to 2019. Axis Bank variables such as Earnings Per Share, Net Profit Margin, Return on Equity and Return on Assets has attained normality at 1% level of Significance. Dividend per share attained normality at 1% level of significance in Federal Bank. Variables such as Dividend per share and Earnings per Share has attained normality at 1% level of significance in HDFC. Earnings per Share, Net Profit Margin and Return on Assets has attained normality at 5% level of Significance in IndusInd Bank.

Table 2 The Result of Unit Root Test showing the Impact of MPS and Financial Variables of Banking Sector from 2009 – 2019

| Company | Dependent Variable | Independent Variable | | | | |
|-------------------|--------------------|----------------------|----------|----------|-----------|----------|
| | MPS | DPS | EPS | NPM | ROA | ROE |
| Axis Bank | 0.0323** | 0.0082** | 0.1058* | 0.0317** | 0.0035** | 0.0068** |
| CUB | 0.0133** | 0.0472** | 0.0297** | 0.0481** | 0.004** | 0.0324** |
| Federal Bank | 0.011** | 0.0104** | 0.0147** | 0.002** | 0.0545* | 0.0408** |
| HDFC | 0.0049** | 0.0229** | 0.0003** | 0.0059** | 0.226* | 0.0113** |
| ICICI | 0.0177** | 0.0038** | 0.035** | 0.0011** | 0.0162** | 0.0239** |
| IndusInd | 0.0356** | 0.0221** | 0.0182** | 0.0113** | 0.0074** | 0.0019** |
| Karnataka Bank | 0.0021** | 0.0615* | 0.0103** | 0.0002** | 0.005** | 0.0565* |
| Kotak | 0.0306** | 0.0225** | 0.0207** | 0.0477** | 0.1107* | 0.008** |
| KVB | 0.0111** | 0.0329** | 0.0005** | 0.0152** | 0.0061** | 0.0011** |
| South Indian Bank | 0.0286** | 0.0074** | 0.0123** | 0.0584* | 0.0542*** | 0.019** |

Note: DV – Dependent Variable, DPS – Dividend per Share, EPS – Earnings per Share, MPS – Market price per share,

NPM – Net Profit Margin, ROA – Return on Assets, ROE – Return on Equity.

* 5% @ level of Significance ; ** 1% @ level of Significant

As per the Table 2 the Variable Earnings Per share is insignificant for Axis Bank, Return on Assets is insignificant for Federal Bank, Net Profit Margin is insignificant for Kotak, Return on Assets is insignificant for South Indian Bank. The variables Earnings per Share, Market price per share, Net Profit Margin, Return on Assets, Dividend per Share and Return on Equity has attained 1% level of significance. In CUB, Dividend per Share, Net Profit Margin has attained 5% significant level and Market price per share, Earnings per Share, Return on Assets, Return on Equity has attained 1% level of significance. The variables Market price per share, Dividend per Share, Earnings per Share, Net Profit Margin and Return on Equity has attained 1% level of significance for Federal Bank and HDFC. All the variables attained 1% significant level for KVB, ICICI and IndusInd Bank. In Karnataka Bank the variables Market Price per Share, Earnings per Share, Net Profit Margin and Return on Assets has attained 1% significant level. In Kotak, Market price per share, Dividend per Share, Earnings per Share and Return on Equity has attained 1% level of significance. In South Indian Bank Market price per share, Dividend per Share, Earnings per Share and Return on Equity has attained 1% level of significance.

Table 3 Analysis of Regression showing the Effect of MPS and Financial Variables of Banking Sector from 2009 – 2019

| Bank Name | EPS | DPS | NPM | ROA | ROE |
|-------------------|---------|---------|----------|----------|---------|
| Axis Bank | 0.0729* | 0.6879* | 0.0054** | 0.9065* | 0.1223* |
| CUB | 0.1201* | 0.329* | 0.0385* | 0.191* | 0.0946* |
| Federal Bank | 0.2183* | 0.2637* | 0.2008* | 0.7684* | 0.1617* |
| HDFC | 0.8708* | 0.8857* | 0.2248* | 0.7663* | 0.1394* |
| ICICI | 0.1669* | 0.4865* | 0.159* | 0.7351* | 0.6104* |
| IndusInd | 0.431** | 0.0788* | 0.0547** | 0.0473** | 0.228* |
| Karnataka Bank | 0.2429* | 0.1774* | 0.2897* | 0.3407* | 0.6062* |
| Kotak | 0.8753* | 0.3871* | 0.0341* | 0.0201* | 0.3889* |
| KVB | 0.3401* | 0.587* | 0.0835* | 0.415* | 0.2025* |
| South Indian Bank | 0.1044* | 0.1071* | 0.4066* | 0.3854* | 0.2546* |

Note: DV – Dependent Variable, DPS – Dividend per Share, EPS – Earnings per Share, MPS – Market price per share, NPM – Net Profit Margin, ROA – Return on Assets, ROE – Return on Equity.

* 5% @ level of Significant; ** 1% @ level of Significant

As per the Table 1.3. The variable Net Profit Margin for Axis Bank and the variables Net Profit Margin, Return on Assets have attained 5% level of significance. The variables Earnings per Share, Dividend per Share, Return on Assets, Return on Equity for Axis bank and the variables such as Earnings per Share, Dividend per Share, Return on Equity are found non-significant. The variables Earnings per Share, Dividend per Share, Net Profit Margin, Return on Assets and Return on Equity are found non-significant for the companies CUB, Federal Bank, HDFC, ICICI, Karnataka Bank, Kotak, KVB and South Indian Bank.

6. FINDINGS SUGGESTIONS AND CONCLUSION

6.1. Findings - Normality, Stationarity, and Regression of Banking Sector

Axis Bank - There is significant effect between the market price per share and financial variables. The variables such as MPS (0.0323), DPS (0.0082), NPM (0.0317), ROA (0.0035), ROE (0.0068) attained stationarity. The Return on Equity (ROE), Return on Assets (ROA), Earnings Per Share (EPS), Dividend Per Share (DPS) and Net Profit Margin (NPM) has significant effect on MPS.

CUB - There is no significant effect between the market price per share and financial variables. The fact reveals the data that sample variables like MPS, DPS, NPM, EPS, ROA, ROE has attained stationarity at (0.0133, 0.0472, 0.0481, 0.0297, 0.004 and 0.0324). There is no significant effect of the independent variables viz., ROE, ROA, EPS, DPS and NPM on Market Price (MPS).

Federal Bank - There is no significant effect between the market price per share and financial variables. All the variables of P-value such as MPS at 0.011, DPS at 0.0104, EPS at 0.0147, NPM at 0.002, ROA at 0.0545 and ROE at 0.0408 attained stationarity. There is no significant effect of the independent variables viz., ROE, ROA, EPS, DPS and NPM on Market Price (MPS).

HDFC - There is no significant effect between the market price per share and financial variables. The variable that achieved stationarity are MPS (0.0049), DPS (0.0229), EPS (0.0003), NPM (0.0059) and ROE (0.0113). There is no significant effect of the independent variables viz., ROE, ROA, EPS, DPS and NPM on Market Price (MPS).

ICICI - There is no significant effect between the market price per share and financial variables. P Values of MPS, DPS, EPS, NPM, ROA and ROE are (0.0177, 0.0038, 0.035, 0.0011, 0.0162, 0.0239) attained stationarity. There is no significant effect of the independent variables viz., ROE, ROA, EPS, DPS and NPM on Market Price (MPS).

IndusInd - There is no significant effect between the market price per share and financial variables. All the variables have attained stationarity which is clear from the table. MPS at 0.0356, DPS at 0.0221, EPS at 0.0182, NPM at 0.0113, ROA at 0.0074 and ROE at 0.0019. The variable of Market Price Per Share and Company Performance was achieved in positive effect on Earning per Share (3.536929), and Net Profit Margin (1.651241). The Negative Effect value noted on and Return on Equity (-0.467521), Dividend per Share (-1.046179) and Return on Assets (-3.817453). There is a significant effect of the independent variables viz., ROE, ROA, EPS, DPS and NPM on Market Price (MPS).

Karnataka Bank - There is no significant effect between the market price per share and financial variables. MPS (0.0021), EPS (0.0103), NPM (0.0002), ROA (0.005) are stationary. DPS (0.0615) and ROE (0.0565) has not attained stationarity. There is no significant effect of the independent variables viz., ROE, ROA, EPS, DPS and NPM on Market Price (MPS).

Kotak - There is no significant effect between the market price per share and financial variables. MPS, DPS, EPS, NPM and ROE (0.0306, 0.0225, 0.0207, 0.0477 and 0.008) have attained stationarity except ROA (0.1107) has not attained stationarity. There is no significant effect of the independent variables viz., ROE, ROA, EPS, DPS and NPM on Market Price (MPS).

KVB - There is no significant effect between the market price per share and financial variables. MPS, DPS, NPM, ROA, ROE and EPS, (0.0111, 0.0329, 0.0152, 0.0061, 0.0011, 0.0005) attained stationarity during the study period. There is no significant effect of the independent variables viz., ROE, ROA, EPS, DPS and NPM on Market Price (MPS).

South Indian Bank - There is no significant effect between the market price per share and financial variables. MPS (0.0286), DPS (0.0074), EPS (0.0123), ROA (0.542) and ROE (0.019) attained stationarity during the study period as the results are less than 0.05 and NPM (0.0584), has not attained stationarity. There is no significant effect of the independent variables viz., ROE, ROA, EPS, DPS and NPM on Market Price (MPS).

6.2. Suggestions

MPS of Banking Sector listed sample companies were not shown significant at 5%. Sample Companies should concentrate on their company's share price. The up-to-date historical fluctuations in the market and companies' stock returns might be exhibited by movement outlines assist with the support of an electronic device. This will facilitate to the investors to shoot the rapid decision without indicating any forms (Gopinath & Chitra, 2020 a). Unchanging profits of companies will control the stability in the returns of market and stock of companies. Beyond it reduces the extent of ultimate volatility. Reduce the expenses, enhance the revenue there will be an increase of Return on Assets (Saminathan *et al.*, 2020). To get better Net Profit Margin by increasing revenues, through selling more goods and service or boost the prices. Can also reduce cost and labor costs.

7. CONCLUSION

The overall analysis of bank sector, Axis Bank attained normality. The mean value seems to be favourable for Axis Bank, HDFC, IndusInd and Kotak Bank. MPS of Bank Sector and DPS of bank sector attained reliability and stationarity during the study period. The study reveals that, DPS of Banks is depended on the foresaid variable to a certain extent. On demand to have expansion / gain, the stake holders were cautiously look out the cost effectiveness and creditworthiness of the business firms (Gopinath & Irismargaret, 2019). Volatility and seasonality of market return and stock return in state of the companies conquer an important place (Pavithran *et al.*, 2019).

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